

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Bendigo – Wednesday 21 August 2024

#### MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

Evan Mulholland

Sonja Terpstra

#### PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

**WITNESSES**

Daniel McLoughlan, Acting Chief Executive Officer, and

Anthony Smith, Executive Support Project Officer, Buloke Shire Council; and

Cr Tony Marwood, Deputy Mayor, and

Matthew McPherson, Director Corporate, Campaspe Shire Council.

**The CHAIR:** I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Local Government Funding and Services. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and I pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I also welcome any members of the public watching via the live broadcast.

To kick off we will have committee members who are here introduce themselves, starting with Ms Broad.

**Gaelle BROAD:** Hi. Gaelle Broad, Member for Northern Victoria.

**The CHAIR:** Georgie Purcell, Member for Northern Victoria.

**John BERGER:** John Berger, Member for Southern Metro.

**The CHAIR:** And members on the screen.

**Sonja TERPSTRA:** Sonja Terpstra, Member for North-Eastern Metropolitan Region.

**Moira DEEMING:** Moira Deeming, Member for Western Metropolitan Region.

**Sarah MANSFIELD:** Sarah Mansfield, Member for Western Victoria.

**The CHAIR:** Wonderful. Thank you. Thank you for appearing before us today. All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during this hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following this hearing, and then transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, could you all please state your full names and the organisations you are appearing on behalf of, and for the sake of ease we might start at this end of the table.

**Matthew McPHERSON:** Thank you. I am Matthew McPherson. I am the Director Corporate, at Campaspe Shire Council.

**Tony MARWOOD:** I am Tony Marwood, Deputy Mayor of Campaspe Shire Council.

**Daniel McLOUGHLAN:** Daniel McLoughlan, Acting Chief Executive Officer, Buloke Shire Council.

**Anthony SMITH:** Anthony Smith, Executive Support Project Officer, Buloke Shire Council.

**The CHAIR:** Wonderful. Thank you. We now welcome your opening comments but ask that they are kept to around 10 to 15 minutes to ensure plenty of time for discussion and questions. Whoever wants to go first.

**Daniel McLOUGHLAN:** Thank you, Georgie. Before I commence, I too would like to acknowledge and extend my appreciation to the Dja Dja Wurrung people, the traditional owners of the land where we are today.

Buloke shire is pleased to have the opportunity to provide input into the Legislative Council Economy and Infrastructure Committee inquiry, and we thank you guys for the opportunity to do so. Buloke shire is in the north-west of Victoria. At its southernmost point it is 210 kilometres from Melbourne and at its northernmost point 360 kilometres from Melbourne. We are bounded by both Mildura and Swan Hill rural cities, Gannawarra and Loddon shires in the east, Northern Grampians in the south, with Yarriambiack in the west. We are predominantly a rural area, and our main townships are Birchip, Charlton, Donald, Sea Lake and Wycheproof. We are largely an agricultural area, particularly grain production and sheep grazing.

Some quick Buloke shire facts – our population is 6118, and we count every one of them. We have a land area of 8000 square kilometres, road links of 5302 kilometres; crucially, some 950 of those are sealed road network, and there are also approximately 750 kilometres of state government roads in our areas. We have got 6396 rateable properties, and we employ 119 full-time equivalent staff.

The Fair Go Rates system rate capping has significant impacts on council's ability to contribute rates to deliver our works and community services to the shire. The annual increase in rates via the cap is below council's cost increases, and therefore council finds itself in the position that it is unable to adjust to meet the demands placed on local government, in particular our Buloke shire community. In Victoria rate capping commenced in 2016 and has greatly impacted council by not keeping pace with the CPI, again impacting council's ability to respond to community demands. The cost increases experienced by local government have increased substantially more than CPI. The Buloke council rates remain our main revenue source at 43 per cent, with operating and capital grants at 50 per cent. Stat fees and fines and user fees make up the balance.

Council's recently adopted 2024–25 budget has revealed an operating surplus of \$2.033 million, although an underlying deficit of \$5.419 million. It is interesting to note that in the VAGO 2022–23 report the deterioration in the number of councils reporting an underlying operating deficit has gone from 23 out to 37 councils. It is estimated the Buloke shire between the financial years 2020–21 and 2023–24 has experienced a cumulative rate loss of \$1.836 million when comparing the rate cap against the actual CPI.

We very much welcome the financial assistance grants. However, the funding provided is not keeping up with the costs of service delivery, and an urgent review of the indexation methodology is required. The indexation applied is not proportionate with the cost of delivering local government services, coupled with the lower ability to raise income compared with state and Commonwealth governments. Buloke shire made this recommendation in its submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport for their inquiry into local government sustainability when we submitted it on 31 May.

Vertical fiscal imbalance refers to the difference between the revenue collection and the expenditure responsibilities of various tiers of government. The imbalance is significant between federal government and local government. Between 2011–12 and 2021–22 Commonwealth government taxation revenue increased by 65 per cent, or by 31 per cent in the five years to 2021–22. Victorian government taxation revenue increased by 98 per cent in that 10-year period and 34 per cent over that five years. Local government tax revenue only increased by 54 per cent, and crucially, only 16 per cent in that five-year period.

Unlike the Commonwealth and Victorian governments, the revenue base of local government does not grow in line with economic growth due to the impact of rate capping and the federal assistance grant funding model. Rates and operating grants contribute 80 per cent of revenue in the local government sector, and more particularly 93 per cent of revenue for the Buloke Shire Council. This means while the Commonwealth and Victorian governments can respond to demands for higher living standards as the economy grows – for example, additional funding for better health services and education services – the local government sector is significantly constrained in meeting the demand of the community for higher living standards.

Maintenance and renewal of existing infrastructure has seen cost increases of between 10 and 30 per cent over the last three years with no corresponding income opportunities. These cost increases, often being realised partway through project delivery without any increase in grant funding to support the initial project, have required local government to continue to fund cost escalation to deliver projects for our communities. As

previously stated, council has limited options available for other income raising potential. Buloke shire is not like its city or large regional counterparts that can raise revenue through parking fees and enforcement activities. Further to that, increasing user fees is also not an option when it makes up such an insignificant part of our overall budget.

Developing our new financial plan following the October 2024 council elections will be a very challenging period for council. We need to continue to provide services to the community while acknowledging the increased costs and limited ability to generate other sources of income.

I am sure this committee has heard lots about cost shifting, so I will not labour the point. However, Buloke is also certainly the victim of that and some higher costs in comparison for Buloke sit around particularly our libraries and the ever-growing problem that sits around emergency management. For the financial year ending 30 June 2023 the carrying amount of our property, infrastructure, plant and equipment held by council was \$300 million. Ageing infrastructure has been a long-term challenge for Buloke shire. The enormous asset burden on a small ratepayer base presents an ongoing challenge of sourcing appropriate funds to reduce the asset renewal gap in Buloke's extensive road network as well as key community infrastructure such as recreational, leisure, parks, open space and community facilities.

Some of the significant challenges that Buloke faces include a renewal shortfall or backlog of \$17.5 million on our transport assets, sealed road surfaces with typical sealant design life ranging between 15 and 25 years experiencing an accelerated rate of degradation due to the combined adverse weather effects and increased size and use of heavy vehicles and agricultural machinery and industry pressure to accommodate road trains on pavements designed for much lighter transport, and I guess crucially, these vehicles are now sharing our ageing road network with school buses and the increasing grey nomad tourism sector. The implementation from the flood studies, which we hope to be funded very soon, will also include major drainage and minor drainage infrastructure and water harvesting infrastructure to service our town's green spaces during long drought periods.

With reference to the natural disasters, like many councils, Buloke shire has been impacted by three declared natural disaster events since October 2022. Council and community continue to recover from the impacts of the 2022 flood, the December 2023 flood and the February major storm flood. These events have added strain on our resources as we respond effectively to the needs of our community while advocating for federal and state funding. The total cost of the immediate damage to council's road network following the October 2023 flood event and the December 2023 flood event is now estimated at \$75 million, excluding costs associated with disaster recovery operations. These estimates will continue to grow as the frustratingly slow DRFA process continues to contribute to the deterioration of affected areas. These costs are only the repair of assets where there is immediate, visible damage as a direct result of the event. The true damage of the road network will only be realised in the future, outside of the window within which council can apply for DRFA funding. The fact that Buloke Shire Council fully redeployed all works, operational, project delivery and asset engineering staff, to emergency immediate works from the period of October 2022 to April 2023 means regular maintenance programs required under the renewal and maintenance program were postponed. This has added to council's degradation. It is imperative that governments understand the long-term effects of this impairment. Our most recent estimate has estimated abnormal degradation of possibly \$3.1 million of our gravel network, \$17 million across our sealed network and over \$3 million worth of unclaimed shoulder rehabilitation.

Buloke shire as a small rural council faces many challenges in providing a broad range of services to its community with limited resources. This presents obstacles in efficiently delivering essential services across diverse areas, such as waste management, road maintenance, planning and development and varied community services. For the local government sector, particularly in rural regions, attracting and retaining a skilled workforce is further complicated by various factors. These include limited housing options, competition with private sector employers and difficulties enticing skilled candidates from the metro areas. The reliance on casual or temp staff employment arrangements coupled with the uncertainty of job security deters skilled professionals from pursuing careers with local government. Operating within a rate cap environment makes it difficult to maintain competitive salaries, therefore making it very hard to retain and attract skilled staff.

To conclude, the impacts of the abovementioned items and also items not mentioned mean that Buloke will face a financially challenging period over the next few years, with rate capping, service cost increases and limited grant opportunities, as well as grants not being escalated in line with rising expenditure costs. Buloke

shire appreciates the opportunity to provide a submission to this inquiry. Despite the financial challenges, council looks forward to continuing partnerships with the state government in a shared vision of supporting our community and regions.

If the committee would indulge me for one last thought: this year's budget includes income from rates and charges of approximately \$15.4 million. Our employee costs are forecast to be \$13.3 million. There is not lot left over. To replace 1 kilometre of that 946-kilometre sealed network costs \$400,000. The federal assistance grants road component and the Roads to Recovery is our road budget. Without reform we cannot sustain our network. Thank you.

**Tony MARWOOD:** I would like to thank you today for the opportunity for Campaspe Shire Council to present to this inquiry. We acknowledge and pay our respects to the traditional owners on the land on which we meet.

We would like to highlight some of the key issues from our responses to the questions that you raised. You asked about the overall revenue structure and whether the existing revenue structure is sustainable. Our answer is no. For the financial year of 2024–25 council is operating an operating budget expected to raise \$101 million in revenue. Fifty-one per cent that revenue comes from rates levied on our constituents, which is limited by rate capping. Twenty-seven per cent comes from grants from state and federal governments, the value of which are beyond our council's control. Nineteen per cent comes from fees and charges for services we provide, and 4 per cent comes largely from forecast interest on the investment of our cash reserves, grants and working capital. Campaspe is in a fortunate position against other rural and regional councils to currently have cash reserves to draw upon that can be invested to earn a small income.

**Matthew McPHERSON:** In terms of our expenditure budget for 2024–25, council has a \$99.7 million budget. Thirty-nine per cent of that is budget for materials and services to support service delivery, 38 per cent is for staffing to operate and deliver those services and 23 per cent is due to depreciation of our assets, which is a guide to how we fund our capital works program, renewing those assets that are needed by our community to ensure that they are fit for purpose for service delivery. Council's 2024–25 budget operating result, similar to Buloke, suggests a small operating surplus. But just like Buloke, the true picture is seen in the underlying result, which strips out non-recurrent grants and any infrastructure assets contributed by developers, which themselves add to our future infrastructure asset costs and depreciation costs. The underlying result is budgeted at an \$8.6 million deficit, with smaller yet significant deficits into the future. This is not a sustainable position for council, and it is one that needs to change.

**Tony MARWOOD:** Seventy-eight per cent of council's revenue comes from the contribution from rates and grant funding. Rates are limited to mandated rate cap increases that often fall below the cost of inputs for our services and projects. The annualised December 2023 CPI figure was 4.1 per cent. This fell to 3.6 per cent in the March quarter, then rose to 3.8 per cent in June 2024. All those results were higher than the Victorian government's set rate cap of 3.5 per cent in the 2023–24 financial year. The rate cap for 2024–25 is set at 2.75 per cent. This is nowhere near matching current CPI and is not sustainable. We wonder why state government does not understand how this level of rate capping is crippling local government.

**Matthew McPHERSON:** Notwithstanding that the differences between the rate cap level and the actual CPI figures leaves Councils short, CPI is still not the best measure to represent Council's input costs. The CPI might match a mixed basket of goods, including groceries, but does not include the high cost for bitumen roads and the increasing cost of attracting both staff and contractors to rural areas. We urge the state government to find a better way to address this disconnect. Rate capping does not consider communities' expectations around the need for services to improve or grow into the future. Councils are, and will be, forced to choose between which services they can offer and which are no longer affordable, whilst also delaying spending on capital programs, which leads to further deterioration of critical assets and services, creating a greater issue for future generations.

Funding new ideas is becoming too difficult, with no room to move left in budgets. Funding anything new requires council staff to identify other service areas to cut. This becomes a situation where to make things better in one area, we end up making things worse somewhere else. In times of rising cost of living and increased hardship, the capacity of our constituents to meet costs also diminishes. This means that, more than ever, our community relies on council to deliver the good roads, health-promoting open spaces and leisure facilities to

support their wellbeing and livability. If rate capping continues below inflation, sadly, council will be unable to continue to provide these much-needed services and infrastructure.

Councils are seeing rising costs, including through increased cybersecurity requirements to protect our systems and customer data, the imperative to respond to climate change and environmental requirements, changes in funding models between government and councils – for example, maternal and child services funding – and not applying appropriate indexing to recurrent funding. The examples of library services and school crossings come to mind. As the 2022 report by Rural Councils Victoria titled *Alternative Sources of Income for Local Government* identified, there are not a lot of opportunities for councils to generate their own sources of income to reduce their reliance on rates and grant income. We believe that where a council has strong cash reserves, it should be able to invest as it deems appropriate rather be limited to cash and fixed interest style investments.

We will continue to look for new revenue opportunities, but in the interim we will need to rely on those cash reserves to continue to provide services and facilities to our community. We project Campaspe's cash reserves will reduce by \$27.7 million between 30 June last year and 30 June next year, so a two-year period. Over \$12 million of those funds will be directly from council's own source funds.

**Tony MARWOOD:** All of this means that we are continually seeking to do better with less – fighting a losing battle with rising costs and constrained revenue. Of course council is working on being financially sustainable. We welcome this inquiry into local government funding and service delivery.

Campaspe Shire Council is also a border council, serving the cross-border communities of Echuca, in Victoria, and Moama, in New South Wales. Most of the key services, such as schools, health and medical, fall within Campaspe Shire, and the geographic and administrative split can lead to inefficiencies, creating an additional burden on council roads and infrastructure. A consistent approach to rate capping and fund allocation for councils needs to be conducted through a regional cross-border lens and flexibility around state grants.

While talking about grants, I am sure you will hear from other submissions that the reduction of the financial assistance grants of 1 per cent of the Commonwealth taxation revenue in 1996 is now at half of 1 per cent today. Coupled with the compounding effect of freezing their indexation from 2014 to 2017, it has been a massive pain point for regional and rural councils. Campaspe urges the inquiry to strongly advocate for an increase in the federal financial assistance grants. Grant funding streams are beyond council's control, but without them we would not be able to operate. Recurrent grants are sometimes not indexed to inflation, so more costs are borne by council each year.

**Matthew McPHERSON:** The consistency and timing of payments for financial assistance grants is also a significant issue. Council received its 2023–24 financial assistance grants several days after the end of the 2023–24 financial year. Funds were paid by the federal government to the states with enough time that our neighbouring council, over the border in New South Wales, was able to receive and will report their grant funding in their 2023–24 financial report. Victorian councils, on the other hand, were made to wait to receive their allocated funds. One has to wonder why. While we have now received those funds, those few days of delay make a world of difference to our end-of-year financial result. After spending the year reporting to our community that we were working towards an improved position with respect to our deficit budget, we now find ourselves needing to report a full-year result that will be missing \$14 million of expected grant revenue. This chopping and changing in recent years about when financial assistance grants are paid leads to an erosion of trust and confidence in the administration by council and in council by our community – something that can and should be avoided.

Campaspe, on the other hand, greatly appreciates the recent increase in the federal government's Roads to Recovery program funding. This is an excellent program, particularly as funding is provided directly to council, and we are trusted to administer and allocate it where it can be of greatest benefit. The acquittal process is not onerous, and without this program our road networks would fall apart. We request that the state advocate for the federal government to continue this worthwhile funding stream, to provide safer roads for our communities, and consider its light-touch administration approach for other funding streams.

**Tony MARWOOD:** Like Buloke –

**The CHAIR:** I just wanted to note that we are running relatively short on time to get to questions, so maybe just a couple more minutes, if you have more, or would you like to explore it in questioning?

**Matthew McPHERSON:** I guess similar to Buloke, just summarising some of the other sections –

**The CHAIR:** You are more than welcome to provide this to the committee to read in full as well.

**Matthew McPHERSON:** Okay. Maybe we will do that. Similar to Buloke, the inability to attract skilled workers due to being under market rates is one of the issues we wanted to highlight. We wanted to highlight some more cost shifting as well, which we can do through the discussions. And emergency grant funding – again, Buloke mentioned this as well – is a massive problem. The complexity involved and the evidentiary requirements involved just make it very difficult. We have a specific example we are going to give around one of our roads, where at the moment we have agreement on around 40 per cent that will be funded. It was impacted by the floods. The reason given is partly due to evidence requirements and partly due to the fact that to reinstate that road to today's current safety standards we would need to install guardrails and we would need to remove some trees. That is deemed as 'upgrade'. That is deemed as –

**Daniel McLOUGHLAN:** Betterment.

**Matthew McPHERSON:** Yes, betterment. And it is not funded. So we are stuck with a situation where for a \$1.9 million stretch of road – several kilometres of sealed road – we are only going to get funded for 40 per cent of it. It was damaged in the floods. It is not sustainable for council. We are happy to take questions.

**The CHAIR:** Wonderful. Thank you very much. Members, we have half an hour for questions, so we will keep it to a few minutes each and then go around again if we have time. I am going to kick off and I have some questions for Campaspe, which you are probably expecting. In recent weeks the Australian Services Union and I have criticised the decision for your shire to close an animal shelter. Was this a funding decision?

**Matthew McPHERSON:** I believe – it is not an area I am 100 per cent across – the key discussion with council was around the welfare of animals. If animals are kept in our facility, they are caged when they are there. We are required to keep them for a certain period of time, and beyond that we need to keep them until they can find their forever home. Cost comes into it, but it is around the welfare of animals.

**The CHAIR:** In the last six months of the reporting period of animal fate data this shelter rehomed 120 cats and 58 dogs, so it clearly provides a service to the community to find those forever homes. What will be done to fill the gaps now for those animals after the holding period?

**Matthew McPHERSON:** The idea is that over the next 12 months we will work with other local providers who do take pets and look to find their forever homes. We will work on agreements with them to take those animals in place of Campaspe housing them in cages. They will be better cared for by those service providers.

**The CHAIR:** In conversation with local foster carers and rescue groups, I have been told they do not have the capacity to take on this extra work, especially given that they are volunteers and an animal shelter has paid staff. Could you tell us – and you are welcome to take this on notice – just how many local foster carers and rescue groups you have engaged with before making this decision and also how many animals you expect it to impact?

**Matthew McPHERSON:** I am going to have to take that on notice, I am sorry.

**The CHAIR:** Absolutely. Then finally, one of the issues with Campaspe becoming a pound-only service is that of the 255 cats admitted to Campaspe during the last reporting period only five of them were reclaimed by their owners, and we know that cats have a much lower reclaim rate than dogs. Do you expect the euthanasia rate of cats to go up in Campaspe as a result of this decision?

**Matthew McPHERSON:** I do not expect it, no. I do not.

**The CHAIR:** Okay. Thank you. I will go to Mr Davis.

**David DAVIS:** Can I thank both councils for your presentations. They are very detailed and very helpful. I will be as quick as I can. I want to come to this surprising point about the financial assistance grants and just understand exactly what you are saying there. As I understand it, what you are saying is that the federal money comes down and then there was a pause or a hiatus for many months and it did not come. Is that what we are hearing there?

**Matthew McPHERSON:** I would not say many months. Our anticipation was that the financial assistance grants would be paid in June, so we budgeted for those moneys to be paid in June.

**David DAVIS:** So in the financial year ending on 30 June, bang, they have held it over – and the state government has control of that money at that point?

**Matthew McPHERSON:** My understanding is that the federal government made a distribution to the states. It then goes through the states to local councils.

**David DAVIS:** Prior to 30 June?

**Matthew McPHERSON:** Prior to 30 June.

**David DAVIS:** And then there is a hiatus and the state government makes its revenue and its books look good because it is holding on to the money, but the money is then disbursed in the next – is that what I am hearing?

**Matthew McPHERSON:** That is effectively what has happened.

**David DAVIS:** So it is an accounting trick?

**Matthew McPHERSON:** It is absolutely an accounting trick, but –

**David DAVIS:** But it hits the bottom line for local councils?

**Matthew McPHERSON:** Absolutely. It makes us look incompetent in terms of managing our finances.

**David DAVIS:** Whereas you have got a revenue stream that you are aware of and expecting, but it is just not delivered.

**Matthew McPHERSON:** The money has arrived, but it arrived late.

**David DAVIS:** Now, but not by 30 June.

**Matthew McPHERSON:** Absolutely. It makes us look silly.

**David DAVIS:** Yes. It is an accounting sleight of hand, if I can put it that way.

**Tony MARWOOD:** And from a council point of view, in the eyes of our public we look like we were incompetent.

**David DAVIS:** What did the auditor say about it? Was he onto this?

**Matthew McPHERSON:** They are the ones that told us we have to report it in the current year's financial statements, not last year's.

**David DAVIS:** Yes, but your reports will be tabled and his report on councils will be tabled, and it will all be tabled with 30 June figures.

**Matthew McPHERSON:** Correct, and we will look terrible.

**David DAVIS:** And you will have a shortfall.

**Matthew McPHERSON:** Our grant was \$14 million. It is a \$14 million hole –

**David DAVIS:** A black hole caused by an accounting sleight of hand by the Treasury here. All right. Secondly, the roads issue: you like the current federal roads plan, but there is no state roads money. That is correct, isn't it? Both of you might answer that. I am interested in the state roads money.

**Daniel McLOUGHLAN:** There is no recurrent state roads money.

**David DAVIS:** Like the old country roads and bridges.



**Daniel McLOUGHLAN:** There is a roads component to the federal assistance grants. The state determines, I guess, the methodology around the allocation.

**David DAVIS:** But there is no state roads money.

**Daniel McLOUGHLAN:** Not recurrent state road money, no.

**David DAVIS:** No. Right. And should there be?

**Daniel McLOUGHLAN:** Definitely.

**David DAVIS:** The model of the old country roads and bridges was a good model?

**Matthew McPHERSON:** It was well before my time, but I think it worked for councils, yes.

**Bev McARTHUR:** It was a million dollars.

**David DAVIS:** It was a million dollars a year, predictable year by year by year, for every council, which helped the smaller ones in particular.

**Daniel McLOUGHLAN:** Yes. Whilst I concur with Matt that the Roads to Recovery funding is great, we are receiving that – and I guess that is celebrated by any level of government, the will. But while we are getting an increase in that, the federal assistance grants are decreasing. Tony mentioned that it was 1 per cent of total taxation revenue. We are now back to 0.49, I think, Tony?

**David DAVIS:** They are not actually reducing. The share is reducing; the actual raw number, the denominated number, has gone up.

**Matthew McPHERSON:** Correct.

**David DAVIS:** I am just trying to be accurate.

**Daniel McLOUGHLAN:** No, no. The share of that overall taxation was 1 per cent. It is now 0.49 per cent.

**David DAVIS:** No, but the actual number that came in the cheque has gone up, actually.

**Daniel McLOUGHLAN:** Yes, the number has gone up, the percentage has not – correct.

**David DAVIS:** Yes. I am trying to be absolutely accurate.

**Daniel McLOUGHLAN:** Yes, sorry. that is right. It is about the percentage. So whilst the Roads to Recovery looks like a great program – and it is – it is also, I would argue, coming from the same pool.

**David DAVIS:** I will just finally be very quick here. Moving around country Victoria, I have heard good reports of Buloke's work – and I am just putting this on record – in supporting those who are potentially being overwhelmed by VicGrid and the powerlines and the renewables push. I am just making that point. Just to ask you on the renewable energy zones: is either council doing significant work on how those renewable energy zones will impact? Is a paper out?

**Daniel McLOUGHLAN:** No. Buloke certainly is not doing any detailed work on the impacts from a financial – there is obviously going to be –

**David DAVIS:** On land use as well on your council.

**Daniel McLOUGHLAN:** a significant conversation around the PILOR income, and that is certainly a conversation we are having with our communities. There will be an expectation that there will be large portions of our road network that will have to be, I guess, overserviced or overdesigned to complement some of the facilities that are proposed.

**David DAVIS:** Who will pay for that?

**Daniel McLOUGHLAN:** Whilst the initial payment will obviously be met by developers, ultimately the ongoing maintenance and servicing of that network will be left with councils, so that is a concern. The modelling has not been done on whether that extra ratable income will outweigh that.

**David DAVIS:** It should be done.

**The CHAIR:** Thanks, Mr Davis. No, that is all good; we are just going to have to move on. Dr Mansfield.

**Sarah MANSFIELD:** Thank you for appearing today. You have raised a number of issues that we have heard from quite a few councils. I am particularly interested in the challenges with ageing infrastructure and addressing that asset renewal gap. What measures do you think would be of assistance to councils to deal with this issue? Are there things that the state government could do that would be of assistance?

**Tony MARWOOD:** From our point of view, we have inherited state-funded assets that now are reaching a time of needing to be upgraded. There is an expectation from the community that they will be done to a certain standard.

**Bev McARTHUR:** But they are state government assets.

**Tony MARWOOD:** Originally. But they were handed up or paid for by the state to be built originally.

**Bev McARTHUR:** You could hand them back.

**The CHAIR:** Mrs McArthur, these are Dr Mansfield's questions. We will move to you next. Do you want to continue?

**Daniel McLOUGHLAN:** Yes, I am happy to address that too, Sarah. The issue around renewal gap and any modelling, I would suggest, historically, particularly at your smaller councils, has been done on a matter of necessity. We have an intervention level where if you think about a road network and a brand new road being condition one and then ultimately a failed pavement being a condition 10, Buloke currently models all its asset management modelling on an intervention level of eight. So by the time you are driving on that road, when it is a condition eight, I can assure you you think it is a 10. But over the years, particularly smaller councils have had to model accordingly because they simply do not have the income.

So to answer your question, untied funds – and when I say untied funds, we would be happy for them to be allocated to asset class, be it road building or otherwise – that allow us as the road managers or the asset managers to make decisions for our community without the ongoing reporting or direction from the tier of government we are receiving the funds from would go a long way to helping us. But that would involve a much larger sustained investment to get our road networks in particular – and I do not want to keep banging on about roads, but let us be honest, they are the most expensive ones. And to call them an asset is debatable.

But to Tony and Matt's point, if we do not get to a stage where we can get our network even compliant or at a level where the current heavy machinery and the future road trains and large agricultural equipment can operate on it sooner rather than later, we are going to get to the stage where we are too far over that curve.

**Sarah MANSFIELD:** Further to that point, if the issues that you have identified around funding and some of these structural funding problems for local government are not addressed, can you give some examples of the sorts of decisions that you are going to have to make as a council, the sorts of problems that are going to arise?

**Matthew McPHERSON:** From Campaspe's perspective and what Tony was saying earlier, some of these assets that were funded 50, 70 years ago – the swimming pool being a prime example – are at the point where we need to think about replacement. Community halls are another area. They are the ones that perhaps were not funded by council, but now the community has an expectation that they will be renewed bigger and better than they were to meet today's standards. What Campaspe has already started doing, and what all councils will need to do, is to work with those communities and say, 'We can no longer afford to have a single-use asset.'

We do not have community halls anymore. They have got to be multipurpose facilities, which is a good thing, a good result. We will get infrastructure that serves more people with different uses and save costs as well. But we will need funding to get those multipurpose facilities built as well. Campaspe is very fortunate. We received

a grant of \$12 million for a multipurpose facility at Victoria Park football oval, which will double as a relief centre in future flood emergencies. So we are very thankful for that. But those are the sorts of things that we will need funding for in the future.

**The CHAIR:** Thanks, Dr Mansfield. We will go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. Thank you, gentlemen, for presenting today. I just want to go to a couple of issues. Rate capping is the only saving grace for ratepayers to keep councils at a certain level of accountability and responsibility. But the issue for councils and the issue for ratepayers is this totally unfair, unjust system of property taxing, which for constituents in Buloke, for example, will be at a much higher rate than it will be for the citizens in metropolitan Melbourne, especially, say, Stonnington or Boroondara. So the rate in the dollar that you charge is a considerable issue, and that is where I think the issue arises. There is no other tax in this country that depends on geography. And that is what we have to address: how to fund local government without penalising individuals – i.e., ratepayers – at different rates across the state. So I would make that point.

The other issue I want to go to is the ability of councils to say no to state government. They are cost shifting on a massive scale, whether it is now extra compulsory training for councillors and mayors, extra reporting activities where I am sure most of these reports sit on a dusty shelf and are not made use of, the appointment of monitors at the cost to ratepayers in many areas of \$1200 a day each – all these things. The cost shifting of libraries or health services – I do not know whether you are engaged in the rollout of vaccinations, for example. Are you, either council? So you will have just received the edict from state government where you are going to have to pay \$6000 or whatever it is as an administration fee – it is a tax; it is a jab tax – plus \$2 a vaccination. That is a cost shift from local government. What about saying no? That is a health service provision. The state government should be providing health services. You cannot afford it, you did not budget for it – say no. The whole issue of three-year-old kindergarten – ‘free’, we are told. I do not know whether you are rolling out any facilities for three-year-old kindergarten – are you? Do you provide the facility?

**Daniel McLOUGHLAN:** We provide the facility, and we have a provider that runs that –

**Bev McARTHUR:** So you have got to bear the cost of the maintenance of the facility: for example, the upgrading of it, maybe the collection of the rubbish, mowing the lawn – whatever. That is a cost shift from state government to you. You can say no. When are you going to say no to the state government?

**Tony MARWOOD:** My biggest concern about saying no would be there would be ramifications somewhere else.

**Bev McARTHUR:** Sorry?

**Tony MARWOOD:** There would be ramifications somewhere else. That would be my biggest concern.

**Bev McARTHUR:** Well, many councils do not provide the vaccination facility. The City of Greater Geelong, for example, does not. So for smaller councils it is even more important. But, you know, if you do not stand up to state government, because you are not getting funded properly to fix the most important thing, which is roads, in any way, shape or form, and yet you are providing these other services that state government should be providing, not the ratepayers –

**The CHAIR:** Mrs McArthur, that is almost time, just FYI.

**Bev McARTHUR:** Do you not agree? Buloke.

**Daniel McLOUGHLAN:** There are certain services, whether or not they are necessarily complained about while they exist from our ratepayers, like immunisation and maternal and child health. Particularly our maternal and child health services, which are a 50–50 partnership with the state government – so that is a severe cost – are vital given our location and our lack of medical services, particularly for first-time mums. I know when we had young children that that service was very much welcomed, and in smaller communities new mums and dads in particular being facilitated by maternal and child health nurses is a really good service. Unfortunately, the more cost that gets shifted onto the council, I would assume – not that I am a councillor – that there is certainly –

**David DAVIS:** But they should not have put in immunisation tax on. That is bizarre.

**Bev McARTHUR:** Are you going to go along with that?

**The CHAIR:** We are short on time, so we might need you to take that on notice if that is okay.

**Bev McARTHUR:** Well, they can answer the question. Are you going to go along with the job tax?

**Anthony SMITH:** To the committee, that is something that I have certainly made a note of to follow up when I get back, because I have not got any detail on that at this present time.

**The CHAIR:** I will need you to take that on notice because we have three more members to get through in 12 minutes. So we will go to Mr Berger.

**John BERGER:** Thank you, Chair. Thank you all for your appearance today. In both of your submissions you detailed the skill shortages that you have experienced in both entities, and I have heard it quite a bit in other submissions as well. What particular areas are you looking for to ensure that those skills are maintained? And secondly, what do you put into the likes of schools and things like that to identify kids coming through or looking for pathways to get into these types of jobs that might help you in years to come?

**Matthew McPHERSON:** Some areas where Campaspe has struggled particularly are engineering and building surveyors as well. It is impossible to get building surveyors into council, I guess partly because of our inability to pay what our private competitors effectively are paying. Plus then there is the reputation of local government. As we heard, if we do not get the financial assistance grants in a year, we do not look like good financial managers, so why would someone want to come to a local government that is going broke? That is a big issue for us.

What we are doing with schools is looking at things like cadetships. We run expos for schools trying to encourage young people to come and join local government, so we have our officers from various different professions talk about the multitude of different pathways that local government does offer. And there is a great breadth of services, given that this one business that we run does so many services across the community – more than a hundred different services across our community. You have got health, you have got early education, you have got engineering. We run paddle steamers, so you can be a riverboat captain if you come to Campaspe. There are a whole lot of different things and skills that we need. So yes, looking at getting into those early education streams, working with universities as well for some of those engineering-type roles – lots of different things we are looking at. But really it is one thing to find the people with the education skills you require, it is another thing to be able to pay them appropriately and to get them to move perhaps from the cities to regional areas.

**John BERGER:** Why I am interested in the schools is they are already there. If you could tap into a pathway that gives them an opportunity to say, ‘Well this is a rewarding job; it gives you certainty,’ and things along those lines, I think you have got a lead into it. So I am very interested just to understand how that might work and what the uptake might look like.

**Daniel McLOUGHLAN:** We have got eight students from Wycheproof P–12 school spending the full term with us one day a week going throughout the shire, getting to have a look at all the different roles that you can do at the shire. We have also done a lot of work with our lifeguards. Most of our casual lifeguards are returning uni students. So we are trying to do some exposure to the broader council through barbecues and stuff for our lifeguards to make sure they understand what roles there are. But it is a challenge. We have also, I guess, got the advantage that the young people that we do have in our shire, particularly if they grow up on farms, already drive tractors and operate chaser bins. Particularly for our on-ground staff and our equipment operators, we have really tried to make sure we are targeting all our children and all our young people, and there is a real gender equality conversation to be had there. The reality is traditionally our depots are set up for a predominantly male environment, so you need significant investment once again to make sure your facilities are acceptable to attract everybody. I guess for every decision made there is an investment required as well.

**John BERGER:** What does the uptake look like in your shire?

**Daniel McLOUGHLAN:** Well, we have got some good news. It is timely you ask. We have just had a local civil engineer who has just graduated return to his town. He was a lifeguard for three years, a Charlton boy who went to university in Bendigo, and he is now a graduate civil engineer for council in the flood recovery team. So that is a good news story. Hopefully there are more to come.

**The CHAIR:** Thanks, Mr Berger. Ms Broad.

**Gaëlle BROAD:** Thank you. Thank you very much for your contribution today appearing before the inquiry. Buloke, you spoke briefly just about untied grants. I am interested in your views from Campaspe's perspective. Should local government grants be provided as untied funds? What are your thoughts?

**Tony MARWOOD:** Absolutely, would be my answer – absolutely. Getting more funding that we could put towards our asset backlog as well would be very much appreciated.

**Gaëlle BROAD:** I am just interested: how much time or how many council resources are spent preparing grant applications and following up afterwards?

**Tony MARWOOD:** We are fortunate that we have a couple of really good people. It is at least two full-time jobs, applying for grants. The reality of grant applications is you are competing against the rest of the country sometimes and the rest of the state at other times, so you have to be very good at what you do.

**Bev McARTHUR:** Two full-time jobs preparing grant applications?

**Tony MARWOOD:** Well, we have got Mel and – who else?

**Matthew McPHERSON:** Who is not full time.

**Tony MARWOOD:** No, she is not full time, sorry.

**Matthew McPHERSON:** No. We would not have two full-time jobs, but it is probably about two full-time jobs of work. People who are doing other jobs are having to contribute to those grants applications, so expertise in the different service areas.

**Bev McARTHUR:** Extraordinary.

**David DAVIS:** So it is a few hundred thousand a year.

**Daniel McLOUGHLAN:** We rely heavily on external grants, potentially more than a lot of councils, so we would easily have the equivalent of two full-time hours going towards funding applications, management and acquittal, well and truly. I guess that has been made a lot harder by the recent decision by both state and federal governments to come up with two-stage funding. So one round is where you make it through the first expression-of-interest stage, which is obviously some time of vetting or filtering system. That almost deems a council the size of Buloke out of the race. That is because we get our design to a level that is sitting on the shelf for what was expected for a grant application three or four years ago, which is concept; it is not full design. To give you an appreciation of full design, you are going from somewhere from 1 per cent at concept anywhere to between 4 and 8 per cent of the project for full design. Buloke cannot afford to have hundreds of thousands of dollars of designs sitting on a shelf for those two full-time equivalents to figure out whether we can deliver them. If you do not have that full design done, then you are very unlikely to make the second stage. Essentially it will make it a lot harder for councils like Buloke to be able to apply for the funding, because we will have to apply for less and be a lot more targeted to make sure we have got our designs, our quantity surveys and our costings to the level they need to be in that first stage.

**Tony MARWOOD:** Just to add to that, on the cost of getting full design and costings done, an example of that is Rochester pool – destroyed. We are getting that full cost and design done – half a million dollars. That is what they charge. We thought it would be \$300,000. That is another cost going through the roof. But Buloke is exactly right: if you are not fully costed in design, you are not going to make the cut for stage 2.

**Matthew McPHERSON:** The other thing that has been helpful only in the last 12 months is that we have actually had a grant stream that funded councils to do those designs, so we want more of that.

**Bev McARTHUR:** So the state government has got to provide money for you to be able to fund a grant application?

**Matthew McPHERSON:** Absolutely. It would be much appreciated.

**The CHAIR:** Thanks, Ms Broad. We will have to do other questions on notice just so we can get to Mrs Deeming to finish off, if Mrs Deeming is still on the screen. She might have stepped away, so we will have one more question from Ms Broad and then finish up.

**Gaelle BROAD:** Thank you. I am interested in cost shifting. Just on garbage collection, the state government makes decisions sometimes. Do you get any support to implement those decisions on an ongoing basis?

**Bev McARTHUR:** Extra bins or something?

**Gaelle BROAD:** Yes, extra bins, that sort of thing.

**Daniel McLOUGHLAN:** Certainly there is an expectation that we will go to four bins or have at least four different streams over the next few years. It is very difficult. If you think about the whole circular economy conversation, and I am certainly not an expert in the area, Buloke is obviously in the middle of nowhere. We do not have the quantity. We cannot collect enough glass to make it viable and to do much with it. So glass is the first cab off the rank. We have had neighbouring councils who introduced another bin in a monthly collection, and their experience of that was it has not worked. We have had other neighbouring councils with glass-crushing machines, but then the sand it is producing is deemed – you cannot use it for concrete, for example, because of the sugar content. We are going to end up with this glass somewhere. Then on the container deposit scheme, which would have been really good and maybe relieved all of us of all of our problems, Buloke does not have in the towns enough of a population that would allow for that. The other one is at the southernmost point of our shire. So only two of our five major towns, remembering there are still 10 towns, have got that container deposit scheme. Whilst these programs are really good with the best of intent, they get very cookie-cutter and they do not necessarily suit your small rurals.

**Matthew McPHERSON:** On the glass side of things, council recently made a submission on our thoughts on that interaction. It blows my mind a bit that while the idea is to take glass out of the waste stream, which is good to get less glass in landfill –

**Bev McARTHUR:** In theory.

**Matthew McPHERSON:** Good in theory – at Campaspe it might work fine for us, but the waste transfer station which we deliver all our waste and our bins to takes not only Campaspe's waste but also over the border from New South Wales, who they do not have the requirement to strip glass out of the waste stream. So in our waste stream is a lot of glass. Nothing we do will change that.

**David DAVIS:** Will make any difference. But you also do pay a levy. Do you get any of that back?

**The CHAIR:** We will have to get you to take that one on notice because we do need to finish up.

Thank you very much for appearing before us today. We really appreciate the time you have taken to not just prepare for this but also appear in person here in Bendigo. That concludes the public hearing.

**Witnesses withdrew.**